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ARTICLES:

(1) Scope column: Divided Diet affects process for selection of new BOJ president; Consensus-building efforts failed with absence of go-between

Current Bank of Japan (BOJ) Governor Toshihiko Fukui's tenure of office is to expire on March 19. Buffeted by the escalated confrontation particularly over the question of what to do about the provisional tax rate for gasoline between the ruling and opposition camps in the divided Diet, the government will today come up with a successor candidate to Fukui in the Diet. The recent movements of the ruling and opposition camps over the question of who will succeed Fukui has made clear the absence of a go-between to bridge both sides. The Tokyo Shimbun's news gathering team probes into overtures between the ruling Liberal Democratic Party (LDP) and the major opposition Democratic Party of Japan (DPJ) regarding the question of a successor to Fukui.

"I have no idea about dynamics working in the DPJ. That's why I can't proceed with the personnel selection process." This complaint was voiced by a high-level government official at the end of January.

In order to deal with the question of who will succeed Fukui, the LDP continued efforts since the start of the year to look for the best person in the DPJ to negotiate with. In mid-January, a senior LDP officer revealed: "We've asked the Prime Minister's Official Residence (Kantei) to tell us who is responsible in the DPJ for the decision-making process."

The LDP in the end began overtures with the DPJ with the two parties' Diet policy chiefs taking the lead. This means that the LDP failed to find who was directly linked to DPJ President Ichiro Ozawa, and that it had no choice but to use the regular

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communication channels for negotiations with the DPJ.

On Feb. 7, LDP Secretary General Bunmei Ibuki called on Prime Minister Yasuo Fukuda at Kantei and told Fukuda: "The question of who will succeed Fukui is a matter requiring endorsement from both houses of the Diet. I think it is better to put the matter in the hands of the Diet policy chief. I'd like the prime minister to wait and see how the situation will unfold." LDP Diet Affairs Committee Chair Tadamori Oshima met with his DPJ counterpart Kenji Yamaoka in the Diet and the two policy chiefs entered consultations on a successor issue.

On Feb. 14, Ibuki and Oshima met with Yamaoka at a hotel in Tokyo and on Feb. 21, the three again met at a restaurant in Yokohama City. The two LDP officers conveyed to Yamaoka as their favorite candidate for a successor to Fukui Deputy BOJ Governor Toshiro Muto and noted that Muto is hard to replace. But Yamaoka did not give the nod to the candidate shown by them.

On Feb. 26, Ibuki made this comment eventually: "The matter requires endorsement from both chambers of the Diet. Informal negotiations are put in the hands of lawmakers, but it is not the Diet's job but the government's job to name a candidate in the final phase." Ibuki thus retreated from the frontline of overtures, even though he at one point declared he would finalize the matter, but he has now left it to the prime minister's decision. This movement eloquently speaks of confusion in the government and the ruling camp.

Meanwhile, in the DPJ, one senior member was ready to accept the government's proposal by saying, "If our president decides to endorse the selection of Mr. Muto as a new BOJ governor, I will then persuade reluctant members in the party." But Ozawa's real intentions were not easily known to every member in the party.

It was March 1, when Ozawa made clear his position toward the selection of a new BOJ governor at a news conference the day after the ruling bloc railroaded the fiscal 2008 budget bill in the Lower House. Ozawa said, "Our relationship with the ruling bloc has collapsed." Hearing of this remark, a senior DPJ member believed that Ozawa's remark implied that Mr. Muto was out.

Negotiations between the LDP and the DPJ reached a deadlock. Seeing

that, a Kantei official revealed, "The DPJ is now out of control." In the meantime, one senior DPJ member grumbled: "(Neither the government nor the ruling bloc) has the ball." While both sides were increasingly becoming distrustful of each other, the time limit expired.

It is an unprecedented situation that the government will suggest a candidate for a government office post that requires endorsement from both chambers of the Diet without formally sounding out the opposition bloc about the candidate.

(2) Editorial: DPJ's reason for opposing government's nomination of new BOJ governor incomprehensible

ASAHI (Page 3) (Full)
March 12, 2008

The Democratic Party of Japan has decided to oppose the government's nomination of Bank of Japan Deputy Governor Toshiro Muto for the central bank's governorship, which is now drawing much attention.

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The outlook is that the nomination of Muto will be rejected in today's plenary session of the House of Councillors because other opposition parties have decided to side with the DPJ. The term of current BOJ Governor Toshiro Fukui will expire on March 19. Even though, the government has yet to decide the successor to Fukui. The unprecedented situation will occur, anyway.

We urged the DPJ to give special consideration to the selection of a new BOJ governor from a comprehensive standpoint. It is regrettable that the largest opposition party made the decision immediately after Muto (and two candidates for the deputy governor posts) had given their opinions to lawmakers.

The biggest reason for the DPJ's objection appears that Muto was a former vice finance minister.

In order to manage Japan's monetary policy, the BOJ governor is required to have strong independence from financial authorities and the ruling parties. The DPJ thinks that Muto has an inherent tendency to hinder the principal of separation of fiscal and monetary policies.

The DPJ has criticized Muto for supporting the ultra-low interest rate policy as deputy governor. The DPJ probably wants to say that the low interest rate policy brought about the heavy burden on consumers by depriving depositors of interest income, while creating an environment advantageous to financial institutions then suffering from nonperforming loans.

It is understandable that an opposition party would be against the selection of a new BOJ governor who is against its policy.

However, the issue involves the question of who should be chosen as the chief of Japan's monetary policy. We don't think the DPJ's reason for rejecting Muto is convincing.

Muto told lawmakers in a clear manner that he would ensure the independence of the central bank. Muto did not say or do anything during his tenure as deputy governor for five years that make us question his credentials. We think that the monetary policy taken under current Governor Fukui was basically inevitable in order to stop the deflationary trend.

Moreover, what is incomprehensible is the DPJ's motive to try to box Prime Minister Yasuo Fukuda into a corner with its opposition to his government's nominees.

If the DPJ insists on having its way, it might become spattered by the blood of its victim. Looking at the unstable economic situation of a chain of strong yen and low stock prices, the stalemate in the selection of a new BOJ governor will create a negative impact. If the governor's post becomes vacant, both the prime minister and the DPJ would be blamed.

We think many people expect the opposition to come up with a convincing plan to revise the government-drafted bill to retain the provisional gasoline tax and revenue sources for road construction.

Many people may think that the DPJ should display its presence in a debate with the government and ruling coalition in the Upper House, where the largest opposition party is in control.

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It is time for the DPJ to reconsider whether it should continue to just confront the Fukuda government.

(3) Bill amending AML adopted at cabinet meeting: Priority given to protection of consumers, small- and medium-businesses; Administrative surcharge to be imposed on false labeling; Judiciary system likely to be revised

NIKKEI (Page 3) (Full)
March 12, 2008

The government adopted at a cabinet meeting yesterday a bill amending the Anti-Monopoly Law (AML) featuring the incorporation of new penalties, such as an increase in administrative surcharges imposed on companies that played a leading role in bid-rigging or cartels. The amendment focuses on the protection of consumers and small- and medium-size businesses. As part of such a stance, misleading representation of commercial goods intended to deceive consumers with false advertisements and the abuse of dominant position, meaning leading companies forcing disadvantageous business transactions on their subcontractors, will also become subject to antimonopoly surcharges. Some industrial sources are unhappy with the amendment with one source noting that standards for determining unfair business practices subject to surcharges are unclear.

When the law was revised in 2006, the level of surcharges was revised. As a result, a surcharge imposed on major manufacturers was raised from the 6 PERCENT of sales made from unfair business practices to 10 PERCENT. A surcharge reduction system applied to companies that admitted to unfair business practices will also be introduced. Regulations intended to deter unfair business practices with the imposition of antimonopoly surcharges will be incorporated in the amendment.

A surcharge imposed on companies that played a leading role in bid-rigging or cartels will be raised 50 PERCENT from the current level. A surcharge imposed on a major manufacturer that played a leading role in unfair business practices will be 15 PERCENT of sales made from such practices. The limitation period for the imposition of surcharges will be extended from the current three years to five years, starting from the day when the Fair Trade Commission (FTC) penalized offending companies.

The surcharge reduction system will be improved. At present, the first three companies that voluntarily admitted to unfair trade practices before the FTC launches investigation are eligible for the system. However, under the revised law, the number of such companies will be increased to five, and it will become possible to apply the system after the FTC started investigation. Punishment on a company that coordinated unfair trade practices will be toughened. On the other hand, more efforts will be made to constrain unfair trade practices and collect more information by increasing the number of companies eligible for the surcharge reduction system.

The scope of unfair business practices subject to antimonopoly surcharges will be extended from bid-rigging and cartels. A surcharge of 3 PERCENT of sales made from unfair business practices will be imposed on companies that engaged in unfair labeling. Manufacturing companies that engaged in exclusion-type private monopoly of excluding competitors from the market will be subject to a surcharge of 6 PERCENT of sales made by unfair trade practices. A

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surcharge of 3 PERCENT of sales from unfair trade practices will be imposed on companies that repeatedly carried out dumping, and 1 PERCENT of the trading amount among companies will be levied on leading companies that abused their dominant position.

The Fukuda administration's policy of protecting consumers and small- and medium-sized businesses is clearly reflected in the strengthened punishments. The metal mold industry, where 90 PERCENT of companies are small- or medium-sized enterprises, is welcoming the amendment. Chairman Katsuhiro Ueda (president of Ogaki Precision) of the Japan Dies Mold Industry Association said, "Major companies will become careful in trading with subcontractors. The toughened punishment could serve as deterrence against their subcontractor-bullying to some extent."

The FTC has warned the cell-phone industry twice that their advertisements on cell-phone rates fall under misleading representation. False labeling will be subject to an antimonopoly surcharge under the amended law.

Leading companies are unhappy with the strengthened regulations. An executive of a certain leading general construction company urged the FTC: "It is difficult to define dumping. It is a matter of first consideration to set a uniform standard, for instance, a tender price a certain set PERCENT lower than an estimated price falls under dumping."

However, whether the bill is passed as proposed by the government is unclear. The point of dispute is whether or not to scrap the judiciary system under which the FTC itself decides whether complaints filed by defending companies that are unhappy with the administrative punishment handed down by the FTC is appropriate. The bill notes in a supplementary provision that the propriety of the system will be considered within fiscal 2008 and necessary measures will be taken. However, with the Democratic Party of Japan (DPJ or Minshuto) looking into the possibility of submitting a counterproposal incorporating a call for the total abolition of the judiciary system, the amendment could be subject to a revision.

(4) Taro Aso preparing to seek LDP presidency, focusing on presidential race before Lower House election

ASAHI (Page 4) (Full)
March 7, 2008

On the morning of March 6 in a Washington hotel, Taro Aso, a former foreign minister and former secretary general of the Liberal Democratic Party, delivered a keynote speech at a symposium on maritime security and Japan-U.S. alliance. In it, Aso said:

"I was always accompanied by security police from 2001 (until last October). I expected that I would be able to have a lot of free time to play golf after I stepped down from a post required SP last October, but I have now stumped nationwide to support election candidates."

Aso has run in the three past LDP presidential elections. He showed off his personal network with U.S. Republicans by visiting Washington before each election as a cabinet minister. This time around, he has currently no government position. U.S. Democratic Party-affiliated experts also joined the symposium. With an eye on his fourth attempt to capture the LDP presidency, Aso has been

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trying to strengthen his political footing.

Some LDP lawmakers are concerned about whether their party can fight the next House of Representatives election under Prime Minister Yasuo Fukuda. As the Fukuda cabinet's support rating has remained low, views calling on Fukuda to step down as prime minister after the Group of Eight summit in Hokkaido in July are simmering in the LDP. The strategy is that the next Lower House election should be held after the party draws attention to its presidential race by carrying it out before the expiration of presidential term in September next year.

Aso thinks that the presidential race should take place before the Lower House is dissolved. In a meeting on Jan. 23 with Tsuneo Watanabe, the chairman of Yomiuri Shimbun Holdings who tried to arrange a grand coalition between the LDP and main opposition Democratic Party of Japan (DPJ or Minshuto), Aso said: "Does DPJ President Ichiro Ozawa still have his grip on the party?" He also said: "The public wants to see consultations between the ruling and opposition parties." Persons close to Aso predict that if the foundation of the Fukuda government is stabilized with an LDP-DPJ coalition, chances are slim that Aso will become LDP president.

In the 2007 presidential race, Aso got more votes from party members and supporters than Fukuda. Even though he currently has no government or party post, he has received a lot of requests to give speeches. During the past six months, he took the stump more than 80 times. Appearing on a commercial television variety program in February, when asked whether he had an intention to run for the LDP presidency, Aso said with a smile: "Yes, I do."

In a speech on March 4 soon before his departure for Washington, Aso stressed the need for a change, saying:

"The presidential race is now going on in the United States. The Russian president has been changed to Medvedev. While the global situation is drastically changing, the position of Japan should be made clear."

In early 2008, Aso told Yoshihide Suga, a Koga faction member; Shoichi Nakagawa, an Ibuki faction member; and Akira Amari, a Yamasaki faction member: "Why don't we form a group called NASA?" NASA is made up of their initials.

Suga, Nakagawa, and Amari are new leaders in their factions. The three played a key role in supporting Shinzo Abe in the 2006 presidential election. Against their faction's decision to back Fukuda in the presidential race as Abe's replacement, they supported Aso. Therefore, Aso appears to have determined to give them the three party executive posts if he is elected LDP president.

For Aso, the difficult problem is how to keep his distance from the Machimura faction, which backs Fukuda. Since early this year, Aso has been in touch with senior Machimura faction members at their request. On Jan. 30 in a meeting with former Secretary General Hidenao Nakagawa, a cabinet shuffle was their topic of conversation. Aso evaded Nakagawa's question by saying: "I wonder whether a cabinet shuffle is aimed at a Lower House dissolution or a grand alliance?"

To announce his candidacy for the presidential race to pick a successor to Fukuda, Aso wants to avoid being appointed as a cabinet

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member thorough a cabinet shuffle. If Aso antagonizes the Machimura faction, which has produced four prime ministers in a row, he will repeat the results of the previous presidential elections, in which he was defeated by the other factions.

However, the Machimura faction, including Nakagawa, wants to hold an "Aso card," while keeping him from defying the government. Senior Machimura faction members urged Abe, who is sympathetic to Aso, to rejoin the faction. Abe then attended a meeting of the Machimura faction after an 18-month hiatus.

In the issue of Chuo Koron that went on sale on Feb. 9, Aso advocated a pension reform plan to cover basic pension premiums by gradually hiking the consumption tax to 10 PERCENT. Advocating his position of favoring a tax hike, for which the DPJ has called, Aso would be able to set a policy course of making a clear distinction with other candidates in the presidential race.

In the first meeting on Feb. 27 of the "NASA" group, a strategy for the presidential election was taken up as a topic of conversation. One member told Aso: "You should not accept a cabinet post." Aso responded: "I understand." Suga said: "At present, you should stay away from the media so that you can avoid the image that you are trying to drag Mr. Fukuda down."

(5) Future-oriented Japan-South Korea relations: Historical issues should be managed with both sides taking responsibility

YOMIURI (Page 15) (Full)
March 12, 2008

By Ichiro Ue, an editorial board member of the Yomiuri Shimbun

The newly inaugurated South Korean government has indicated an eagerness to rebuild relations with Japan while emphasizing the need for that relationship to be future-oriented.

In a speech he made at a ceremony marking Korea's 1919 uprising for independence on March 1, President Lee Myung-bak, who assumed office in February, said: "South Korea and Japan should build a future-oriented relationship based on a pragmatic approach."

Under the government of Lee's predecessor Roh Moo-hyun, Japan-South Korea ties became strained over the issue of Japan's views of its wartime history. Lee renewed his resolve in the speech to launch an effort to establish better relations with Japan. On Feb. 25, Lee held a meeting with Prime Minister Yasuo Fukuda, who attended his inauguration that day. The two leaders confirmed the need to regularize reciprocal visits - which they called "shuttle diplomacy" - after a long hiatus. Japanese ruling and opposition party groups visited South Korea in succession early in the year. The visits reflect their strong expectations for better relations with South Korea.

A number of South Korean presidents, just after launching their administrations, have called for a future-oriented relationship with Japan. But inevitably, bilateral ties became frayed over time, affected by the three outstanding issues that stem largely from Japan's colonial rule of Korea: claims to the Takeshima/Dokdo islets, Japanese leaders' visits to Yasukuni Shrine, and Japanese school textbooks.

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President Lee said in a press conference a month before his inauguration: "I do not intend to tell Japan to apologize for or reflect on its past acts." His predecessor Roh launched his administration after putting historical issues on the back burner, but he later hardened his stance in reaction to the Shimane prefectural government's passage of a Takeshima Day ordinance and Prime Minister Koizumi's visits to Yasukuni Shrine. Reciprocal high-level visits were suspended as a result.

A succession of South Korean governments at first prioritized relations with Japan, but once the issue of Japan's military past surfaced, they altered their stances in response to public emotions. Some observers worry that the new government might follow in his predecessors' footsteps. President Lee made this remark after stressing a future-oriented relationship in his speech on March 1: "But we should never look away from the truth of history. Even so, we cannot delay our path toward future relations, bound by the past." This expression reflects South Korean's complicated feelings toward Japan.

Japanese, however, perceive there to be a deep-seated "persistent" resentment among South Koreans at Japan's colonial rule of Korea. South Koreans say that Japan is "forgetful."

The new president, who used to be a businessman, gives top priority to economic ties in promoting relations with Japan. The total value of trade between the two countries now tops 70 billion dollars. For South Korea, Japan is the second largest trade partner, following China. For Japan, South Korea is the third largest trade partner, following China and the U.S.

South Korea, though, has had an excess of imports over exports in trade with Japan. The amount of its bilateral trade deficit was 24.5 billion dollars in the January - November period last year, according to a survey by the Japan External Trade Organization (JETRO). South Korea has a structural problem of importing

intermediate goods from Japan and exporting assembled products to the rest of Asia. If Japan and South Korea resume talks on concluding a bilateral economic partnership agreement (EPA), which have been suspended since November 2004, South Korea will likely to take a positive approach in an effort to improve its trade structure and to solicit more investment from Japan.

President Lee hopes to improve economic relations with Japan, rather than resolving historical issues, and to make South Korea into an advanced industrialized country, as he pledged in his election campaign. To that end, he wants to keep relations with Japan in good shape. This is indisputably the essence of future-oriented relations between Japan and South Korea.

Between the two countries, major progress has been made in exchanges and mutual understanding even at the popular level. Japan and South Korea have promoted exchanges in various areas, based on the action program concluded between Prime Minister Obuchi and President Kim Dae Jung in October 1998. The annual flow of visitors to Japan or South Korea totals 4.5 million. The "Korea boom" in Japan, which was sparked by South Korean movies and TV dramas, has now taken root. Japanese popular culture has also drawn attention mainly among young people in South Korea, with the share of Japanese novels being 30 PERCENT in the South Korean literary works industry and with Japanese cartoons holding an over 60 PERCENT share of domestic sales. The exchanges of such cultures have underpinned the bilateral

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relationship. It is now inconceivable that bilateral relations will regress.

It is true that unfortunate events occurred in the past between the two countries, but it will become more and more important to manage issues of history to prevent such issues from causing unnecessary friction. Both countries should now manage historical issues on their responsibility.

(6) Calls growing for criminalizing individual possession of child pornography; Demand in "major child pornography exporter" must be cut off

TOKYO SHIMBUN (Pages 26 and 27) (Excerpts)
March 12, 2008

By Makoto Hashimoto, Chikage Iwaoka

In Japan, child pornography is often uploaded to the Internet and DVDs containing images of small children are easily available on the market. While individual possession of child pornography is banned in major industrialized countries, such acts are effectively uncontrolled in Japan. The Liberal Democratic Party and New Komeito are studying the option of amending the Law for Punishing Acts Related to Child Prostitution and Child Pornography to ban individual possession. They are planning to submit lawmaker-sponsored legislation criminalizing "simple possession" of child pornography to the current Diet session. What is "simple possession"? We looked into challenges associated with the task.

On the afternoon of March 11, UNICEF Goodwill Ambassador Agnes Chan held a press conference at the Dietmembers' No. 2 Office Building in Nagatacho, to publicize the organization's campaign to stamp out child pornography. In the conference, Chang underlined the need to take stronger action against exploitation of minors, citing the dissemination of sexual images on the Internet that would traumatize victims for the rest of their lives.

The campaign mainly aims at amending the Law for Punishing Acts Related to Child Prostitution and Child Pornography, established in 1999. The law was amended in 2004 to criminalize the production, sale, and possession of child pornography for sale and provision via e-mails.

But the "simple" individual possession of sexual images of small children not for sale or provision is still not criminalized for fear of violating privacy and freedom of speech and expanding police authority.

UNICEF Japan executive director Ken Hayami highlighted the need for strict controls on the simple possession of child pornography, saying: "With the widespread of Internet users, cyber porn is a serious problem. Although regulations have been tightened on the supply side, the demand side is still uncontrolled."

Of the G8 member countries, only Japan and Russia have not criminalized the individual possession of child porn. Even though the United States has launched a child pornography eradication campaign, sexual images of small children have been "imported" from Japan, a major child pornography producer and exporter, via the Internet. Officials from the embassies of the United States and Sweden also attended the press conference as observers to learn of

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trends in Japan, the "offender."

On the evening of March 11, U.S. Ambassador to Japan J. Thomas Schieffer called on Justice Minister Kunio Hatoyama at the ministry. Schieffer told Hatoyama: "Most industrialized countries have criminalized the individual possession of child pornography. We would like to see Japan join them." In response, Hatoyama stated: "I personally support your view. I'm hoping that the LDP and New Komeito will discuss the matter."

The LDP sub-committee to review the child pornography law, chaired by former Justice Minister Mayumi Moriyama, held its inaugural meeting on March 7. The New Komeito's project team, too, has been studying amending the law since last December.

Moriyama, who also attended the UNICEF Japan press conference, categorically said: "Most subcommittee members think the simple possession of child porn must be banned. We will work hard to amend the law in that direction." New Komeito Lower House member Kaoru Maruya commented: "The dominant view in our party is that simple possession should be criminalized. Given global trends and momentum in the LDP, the outlook seems bright."

The press conference was also attended by members of the major opposition Democratic Party of Japan, which is scheduled to launch a project team soon. Lower House member Yoko Komiyama noted: "People ascribe the failure to ban simple possession in the previous law revision to the DPJ's opposition. We failed to reach an agreement because some voiced that police authority should not be enhanced. I want to unify views in the party from children's perspective."

People who violated the child porn law are punishable by up to five years in prison, which is light.

The LDP is going to study specific penalties for simple possession of child porn. What do experts think?

The campaign's organizer and lawyer Keiji Goto took this view: "In order to eliminate hideous child abuse, such as child rape and child molestation, the simple possession of child porn must be criminalized."

Lawyer Toru Okumura, who is familiar with Net sexual crimes, commented: "Banning the simple possession of child porn is the last resort. The current law has many points that must be reviewed before that."

According to Okumura, the primary problem is that the law's basic vision is unclear when it comes to whether persons who violated the rights of children must be punished or the social trends regarding children as sexual objects must be blamed.

Okumura added: "First of all, it must be made clear that the law punishes those who violate children's rights."

Child pornography is defined as photographs and images of persons under 18 years of age fully or partially clothed in a way that stimulates sexual desires.

Okumura also said: "Child pornography of even babies and infants is

in circulation. Whether or not to stimulate sexual desires is irrelevant in arresting persons in order to stop the outflow of

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images of child abuse. But this clause is skipped in court punishing those who sold images of child abuse."

Unless a tape of moving images is recorded, a person is not punished for production under the child pornography law. Further, dubbing taped images is not punishable. These factors often cause confusion in court.

In amending the law, animation (anime) and computer games are unlikely to be regulated, as there is the view that these are fictions and regulating might correspond to a violation of the freedom of expression.

UNICEF Japan is going to press the government to amend the law to ban anime and cartoons as "quasi-child pornography" in its drive to collect signatures to ban the simple possession of child porn.

Meanwhile, law enforcement authorities are endeavoring to crack down on violations by patrolling cyberspace, such as Internet auctions. The Internet makes it easy for ill-intended adults in remote locations to abuse naive children by luring them into obscene acts and taking pictures of them. Sale of DVDs can also criminalize children in remote locations. Investigations often straddle a number of prefectures.

Okumura also commented: "Greater investigative power is necessary in order to reduce Net-based child abuse. Across the country, the National Police Agency needs to establish specialized departments that are highly mobile."

SCHIEFFER